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Message Text

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ACTION EUR-12

INFO OCT-01 IO-14 ISO-00 EA-12 STRE-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 FRB-01 H-02 INR-10
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-02 CTME-00
AID-05 SS-15 STR-07 ITC-01 TRSE-00 ICA-20 SP-02
SOE-02 OMB-01 DOE-15 /148 W
----------105271 162003Z /64
R 161856Z JUN 78
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 7348
INFO ALL EC CAPITALS
USMISSION GENEVA

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USEEC

GENEVA FOR MTN DEL
PASS STR ELECTRONICALLY
PASS AGRICULTURE ELECTRONICALLY

E.O. 11652: N/A
TAGS: EEC, EP, ETRD
SUBJ: EUROPEAN PARLIAMENT JUNE PLENARY SESSION --
DISCUSSION OF THE MTN

1. SUMMARY: JUNE 15 EUROPEAN PARLIAMENT (EP) DISCUSSED THE REPORT DRAWN UP ON THE MTN BY ITS COMMITTEE ON EXTERNAL ECONOMIC RELATIONS. SPOKESMEN FROM ALL EP POLITICAL GROUPS, WHILE COMPLAINING ABOUT ITS TARDINESS, GENERALLY SUPPORTED THE REPORT, WHICH BACKS THE EC COMMISSION'S EFFORTS IN THE NEGOTIATIONS ALTHOUGH A NUMBER OF AMENDMENTS WERE INTRODUCED, THE MOST IMPORTANT OF WHICH EMPHASIZED THE NEED FOR GREATER U.S. RECIPROCITY IN AGRICULTURAL TRADE. IN THE MAIN, THE PARLIAMENTARIANS
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URGED FURTHER TRADE LIBERALIZATION, GREATER RECIPROCITY AND AVOIDANCE OF PROTECTIONISM WHICH HAS A PARTICULARLY ADVERSE EFFECT ON DEVELOPING COUNTRIES, AND UPDATING THE SAFEGUARD CLAUSE. THE US AND JAPAN WERE CALLED UPON TO ADOPT LESS PROTECTIONIST ATTITUDES. SPEAKING ON BEHALF OF THE EC COMMISSION, COMMISSION VICE PRESIDENT HAFERKAMP EMPHASIZED THAT THE EC WILL CONTINUE TO NEGOTIATE WITH A

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VIEW TO STRENGTHENING THE GATT AND CREATING THE CONDITIONS FOR SAFER WORLD TRADE. HE ALSO EXPRESSED THE HOPE THAT THE US AND ALL PARTICIPANTS IN THE MTN WILL FULLY APPLY THE RESULTS OF THE NEGOTIATIONS. END SUMMARY.

2. IN INTRODUCING THE REPORT ON THE MTN OF THE EP'S EXTERNAL ECONOMIC RELATIONS COMMITTEE, THE ACTING RAPPORTEUR ATTRIBUTED THE SLOW PROGRESS OF THE CURRENT TOKYO ROUND TO MONETARY UNCERTAINTY, THE ENERGY CRISIS AND THE FACT THAT TWO-THIRDS OF THE PARTICIPATING STATES ARE DEVELOPING COUNTRIES. HE SAID THAT THE EXISTING GATT AGREEMENTS HAVE TO BE PRESERVED BEFORE THERE CAN BE FURTHER TRADE LIBERALIZATION, AND CHARGED THAT BOTH JAPAN AND THE US HAD VIOLATED GATT RULES IN THE PAST AND HAVE BEEN RELUCTANT TO MAKE COMPROMISES. HE COMMENDED THE COMMIS-SION FOR ITS WORK IN THE NEGOTIATIONS AND URGED THAT IT CONTINUE TO PUT PRESSURE ON OTHER INDUSTRIALIZED COUNTRIES TO OPEN THEIR MARKETS AND REJECT PROTECTIONISM. MOREOVER, HE URGED FULL USE OF THE SAFEGUARD CLAUSE, SAYING THAT IT MUST BE REVISED IN ORDER TO PERMIT THE SELECTIVE APPLICATION OF SAFEGUARD MEASURES AGAINST OFFENDING COUNTRIES. THE COMMISSION, HE CONTINUED, SHOULD ALSO MAKE EVERY EFFORT TO IMPROVE TRADE WITH THE INDUSTRIALIZED COUNTRIES AS WELL AS TO BRING THE USSR, GDR, AND CHINA INTO THE GATT FRAMEWORK.

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3. SPEAKERS OF ALL THE POLITICAL GROUPS SUPPORTED IN VARYING DEGREES THE RAPPORTEUR'S STATEMENT, AGREEING THAT THE THREAT OF PROTECTIONISM LOOMS IN WORLD TRADE DESPITE THE EXISTENCE OF GATT, AND THAT THERE IS A NEED FOR FURTHER LIBERALIZATION. THE PARLIAMENTARIANS FURTHER AGREED THAT THE US MUST BE MORE FORTHCOMING BY OPENING ITS MARKETS AND NOT RESORTING TO ARTIFICIAL BARRIERS WHICH IMPEDE TRADE LIBERALIZATION. SEVERAL SPEAKERS ACKNOWLEDGED, HOWEVER, THAT THE EC IS IN EFFECT NO BETTER THAN THE US WHEN IT COMES TO ERECTING ARTIFICIAL BARRIERS. WHILE STATING THAT THE EC HAS BEEN MORE FORTHCOMING IN ITS PROPOSALS FOR LIBERALIZATION IN THE NEGOTIATIONS, THEY ARGUED THAT THE EC HAS AT THE SAME TIME ADOPTED RESTRICTIVE POLICIES WHICH ARE NOT CONDUCIVE TO LIBERALIZATION OR TO HELPING LDC'S DEVELOP ECONOMICALLY, THEREBY CONTRIBUTING TO THE LACK OF GIVE FROM OTHER PARTICIPANTS IN THE NEGOTIATIONS.

4. A FEW PARLIAMENTARIANS NOTED THAT THE AGRICULTURAL PORTION OF THE MTN IS KEY TO THE SUCCESSFUL OUTCOME OF THE NEGOTIATIONS. BRITISH SOCIALIST HUGHES, AN EP AGRICULTURAL EXPERT, POINTED OUT THAT AGRICULTURAL PRODUCTS AND TARIFF REDUCTIONS ARE CRUCIAL TO THE GATT NEGOTIATIONS. HE

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CALLED FOR THE REDUCTION OF USE OF THE EC SYSTEM OF EXPORT
RESTITUTION FOR AGRICULTURAL PRODUCTS--SUCH AS SUGAR--
WHICH, HE CHARGED, CREATES A DISTORTION OF TRADE AND IS
USED AS A MEANS FOR SUPPORTING PRICES AT THE EXPENSE OF
COUNTRIES WHICH CAN ILL AFFORD THE EXTRA COST. HE FURTHER
POINTED OUT THAT EC IMPORT POLICIES WITH RESPECT TO
MEDITERRANEAN PRODUCTS, AIMED AT PROTECTING THE COMMUNITY'S
OWN MEDITERRANEAN PRODUCERS, ADVERSELY AFFECT EC RELATIONS
WITH COUNTRIES EXPORTING THIS TYPE OF PRODUCT. CONCERNING
TRADE WITH THE US, HE AGREED THAT THE US HAS A VALID
ARGUMENT WHEN IT OBJECTS TO HAVING TO IMPORT DE FACTO
SUBSIDIZED EC COMMODITIES, BUT SAID THE US IS CLEARLY
PURSUING A PROTECTIONIST POLICY FOR ITS AGRICULTURAL
PRODUCTS. SUCH A POLICY IF CONTINUED, HE ARGUED, WOULD
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ENHANCE THE POSSIBILITY OF A TRADE WAR BETWEEN THE US AND
THE EC. HE POINTED OUT THAT MANY OF THE PROBLEMS RAISED
FOR THE EC IN THE AGRICULTURAL PORTION OF THE MTN STEM
FROM THE DISINCLINATION OF MANY IN THE COMMUNITY TO
LIBERALIZE THE EC'S COMMON AGRICULTURAL POLICY. HE

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CONCLUDED THAT THE SUCCESS OF THE GATT NEGOTIATIONS DEPENDS ON FINDING SOLUTIONS TO THESE PROBLEMS AND ON ENTERING INTO HARD AND EFFECTIVE NEGOTIATIONS WITH THE US.

5. EP SPEAKERS ALSO EMPHASIZED THE NEED TO STRENGTHEN GATT AND TO DEVELOP A NEW INSTITUTION TO REPLACE IT AS SOON AS POSSIBLE. A FEW FURTHER SUGGESTED THAT THE EC IMPLEMENT ITS OWN CONCESSIONS TO OTHER COUNTRIES, IN A MANNER SIMILAR TO THAT FOLLOWED BY THE US CONGRESS, ONLY AFTER RECEIVING APPROVAL OF THE NATIONAL PARLIAMENTS OF EC MEMBER STATES.

6. SPEAKING ON BEHALF OF THE EC COMMISSION, HAFERKAMP CHOSE NOT TO REPLY SPECIFICALLY TO THE POINTS RAISED DURING THE DEBATE OR TO OUTLINE IN DETAIL THE COMMISSION'S UNCLASSIFIED

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POSITION ON THE MTN. HE NOTED THAT THESE IMPORTANT NEGOTIATIONS GO BEYOND THE MERE PROBLEM OF TARIFF BARRIERS, MAKING A CONTRIBUTION TOWARD BETTER AND SAFER WORLD TRADE NOW AND IN THE 1980'S. HE AGREED THAT GATT MUST BE STRENGTHENED AND SAID THAT THE EC MUST SHOW IT IS PREPARED TO COOPERATE WITHIN ALL INTERNATIONAL INSTITUTIONS WITH A VIEW TO IMPROVING WORLD TRADE AND MARKETING CONDITIONS. HE ADDED THAT THE EC'S STAND IS TO AVOID WITHDRAWALS ON OFFERS AND TO PUSH FOR RECIPROCITY. THE EC, HE SAID, WILL THEREFORE INSIST THAT ALL PARTICIPANTS IN THE NEGOTIATIONS RATIFY THE RESULTS OF THE MTN. ALL COUNTRIES SHOULD APPLY ALL THE RESULTS ADOPTED AT GATT. HE PARTICULARLY SINGLED OUT THE US IN EXPRESSING HIS HOPE IT WOULD NOT ATTEMPT ANY EXCEPTIONS. TURNING TO PROBLEMS WITH THE DEVELOPING COUNTRIES, HAFERKAMP SAID THAT THEIR PARTICIPATION IN THE MTN SHOULD BE MORE EFFECTIVE AND THAT THEY SHOULD NOT SIMPLY MAKE DEMANDS. ON AGRICULTURE, HE NOTED THAT THE EC IS INTERESTED IN ACHIEVING STABILITY AND IMPROVEMENTS IN THIS SECTOR, BUT HE ALSO POINTED OUT THAT AGREEMENT WILL NECESSITATE THE EC'S MAKING SOME INTERNAL ADJUSTMENTS.

7. DURING THE COURSE OF THE DEBATE ON MTN A NUMBER OF AMENDMENTS, SOME OF WHICH ARE AIMED AT CLARIFYING THE TEXT, WERE INTRODUCED TO THE RESOLUTION PROPOSED TO THE PARLIAMENT BY THE EP EXTERNAL ECONOMIC RELATIONS COMMITTEE. HOWEVER, OTHER CHANGES SUGGESTED BY THE EP'S AGRICULTURE COMMITTEE WERE MORE SUBSTANTIVE AND INTER ALIA (A) DRAW ATTENTION TO THE INCREASING TRADE IMBALANCE IN FAVOR OF THE US IN THE AGRICULTURAL SECTOR, (B) INSIST THERE SHOULD BE GREATER RECIPROCITY, WITH THE US IMPORTING GREATER QUANTITIES OF PROCESSED PRODUCTS FROM THE EC, (C) CONSIDER IT ESSENTIAL THAT MULTILATERAL AND BILATERAL AGREEMENTS ON MAJOR PRODUCTS BE CONCLUDED, INCLUDING AGREEMENTS ON DAIRY

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AND ON LIBERALIZED EC CHEESE EXPORTS TO THE US, AND (D) NOTE THE PROBLEMS OF DECONSOLIDATING THE COMMUNITY'S TARIFF RATE ON SOYA, WHICH CAN ONLY BE ACHIEVED IN THE FRAMEWORK OF A FAR-REACHING REVIEW OF EC-US AGRICULTURAL TRADE RELATIONS. THE BASIC RESOLUTION ITSELF: (A) EXPRESSES CONCERN OVER THE THREAT TO WORLD TRADE FROM INCREASING PROTECTIONIST MEASURES; (B) HOPES THAT A SOCIAL CLAUSE WILL BE INCLUDED IN GATT; (C) URGES THAT EC CONCESSIONS BE BROUGHT MORE CLOSELY INTO LINE WITH THOSE GRANTED BY OTHER INDUSTRIALIZED COUNTRIES; (D) CALLS FOR THE OBSERVANCE OF THE PRINCIPLE OF RECIPROCITY; (E) EMPHASIZES THE NEED TO UPDATE THE SAFEGUARD CLAUSE, AND (F) SUPPORTS EC EFFORTS TO CREATE A CUSTOMS ASSESSMENT CODE AND A CODE OF CONDUCT TO SUPPRESS TECHNICAL OBSTACLES TO TRADE. PARLIAMENT HAD NOT YET VOTED ON THE RESOLUTION WHEN THIS TELEGRAM WAS PREPARED, ALTHOUGH THE RESOLUTION WILL PROBABLY BE ADOPTED, TOGETHER WITH MANY OF THE AMEND-MENTS. HINTON

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